

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0736-04  
Bill No.: Perfected HCS for HB 288  
Subject: Appropriations: Education, Elementary and Secondary; Elementary and Secondary Education Dept; Gambling  
Type: Original  
Date: February 12, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
General Revenue	\$0	(\$0 or \$41,104,108)	(\$0 or \$82,208,217)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(\$0 or \$41,104,108)</b>	<b>(\$0 or \$82,208,217)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
State School Moneys Fund	\$0	\$0	\$0
Classroom Trust Fund	\$0	\$0	\$0
Gaming Proceeds for Education Fund	\$0	\$0	\$0
Lottery Proceeds Fund	\$0	(\$5,000,000)	(\$5,000,000)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>(\$5,000,000)</b>	<b>(\$5,000,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>School Districts</b>	<b>\$0</b>	<b>\$5,000,000 or \$46,104,108</b>	<b>\$5,000,000 or \$87,208,217</b>

#### FISCAL ANALYSIS

##### ASSUMPTION

Officials from the **Missouri Gaming Commission** and the **Office of the State Treasurer** each assume this proposal would not fiscally impact their respective agencies.

Officials from the **Missouri Lottery Commission (MLC)** stated that Lottery unclaimed prizes on an annual basis are \$5 - \$6 million; however, MLC assumes the Missouri Constitution requires all lottery profits to be transferred to the Lottery Proceeds Fund, which would prohibit the transfer of unclaimed prizes to any other statutorily-created fund. **Oversight** assumes that although funds would initially be deposited in the Lottery Proceeds Fund, they would then be transferred from that fund to Classroom Trust Fund.

Officials of **Department of Elementary and Secondary Education (DES)** assume this proposal would take the gaming money currently used in funding the foundation formula and instead distribute that money on a per eligible pupil basis through a new fund labeled "Classroom Trust Fund" (CTF).

DES states that for FY2003, the gaming proceeds in the Gaming Proceeds for Education Fund transferred to the State School Moneys Fund (SSMF) is estimated to be \$205,520,542. This amount divided by a projected average daily attendance number of 822,000 equals approximately \$250 per average daily attendance. This would be increased money to school districts IF the

ASSUMPTION (continued)

legislature replaces this source of money for the foundation formula with General Revenue as required in the proposal in Section 160.534.3. The bill proposes the elimination of the transfer to the State School Moneys Fund over 5 years. The new General Revenue cost, holding constant the \$205,520,542 is \$205,520,542 the 5<sup>th</sup> year. Below is a chart showing the estimated distribution based on a constant \$205,520,542/year.

FY	Gaming Proceeds	%	Classroom Trust Fund	Per ADA*	%	Transferred To SSMF	Gen Revenue Replacement Needed
'05	\$205,520,542	20%	\$ 41,104,108	\$ 50	80%	\$164,416,434	\$ 41,104,108
'06	\$205,520,542	40%	\$ 82,208,217	\$100	60%	\$123,312,325	\$ 82,208,217
'07	\$205,520,542	60%	\$123,312,325	\$150	40%	\$ 82,208,217	\$123,312,325
'08	\$205,520,542	80%	\$164,416,434	\$200	20%	\$ 41,104,108	\$164,416,434
'09	\$205,520,542	100%	\$205,520,542	\$250	0%	\$ 0	\$205,520,542

\*Per ADA = estimated amount to distribute per average daily attendance

The actual amount could be different from this example since distribution does not begin until FY 2005 and the amount transferred to State School Moneys Fund from Gaming Proceeds Fund could be a different figure.

Officials from the **Office of Administration - Budget and Planning (BAP)** responded with comments and technical changes but did not indicate a potential fiscal impact. Officials from BAP did indicate there is an approximate 4% annual growth in the moneys in the Gaming Proceeds for Education Fund.

**Oversight** notes that the proposal states that if the chairs of the house budget committee and senate appropriations committee determine that the appropriation for the school funding formula contained in Section 6 of Section 160.031, RSMo, is insufficient to provide a proration factor on lines 1a and 1b of 1.0, the transfers will not occur. **Oversight** has acknowledged this possibility by stating the fiscal impact as \$0 or the amount of transfer if the proration factor is at least 1.0.

<u>FISCAL IMPACT - State Government</u>	FY 2004	FY 2005	FY 2006
<b>GENERAL REVENUE FUND</b>			
<u>Cost</u> - Increased Transfers to the State School Moneys Fund	<u>\$0</u>	<u>(\$0 or \$41,104,108)</u>	<u>(\$0 or \$82,208,217)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<u>\$0</u>	<u>(\$0 or \$41,104,108)</u>	<u>(\$0 or \$82,208,217)</u>
	FY 2004	FY 2005	FY 2004
<b>STATE SCHOOL MONEYS FUND</b>			
<u>Income</u> - Increased Transfer from General Revenue Fund	\$0	\$0 or \$41,104,108	\$0 or \$82,208,217
<u>Loss</u> - Decreased Transfers from Gaming Proceeds for Education Fund	<u>\$0</u>	<u>(\$0 or \$41,104,108)</u>	<u>(\$0 or \$82,208,217)</u>
<b>ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>GAMING PROCEEDS FOR EDUCATION FUND</b>			
<u>Savings</u> - Decreased Transfers to State School Moneys Fund	\$0	\$0 or \$41,104,108	\$0 or \$82,208,217
<u>Cost</u> - Transfer to the Classroom Trust Fund	<u>\$0</u>	<u>(\$0 or \$41,104,108)</u>	<u>(\$0 or \$82,208,217)</u>
<b>ESTIMATED NET EFFECT ON GAMING PROCEEDS FOR EDUCATION FUND</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<b>LOTTERY PROCEEDS FUND</b>	<b>FY2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<u>Cost</u> - Transfer to Classroom Trust Fund	<u>\$0</u>	<u>(\$5,000,000)</u>	<u>(\$5,000,000)</u>
<b>ESTIMATED NET EFFECT ON LOTTERY PROCEEDS FUND</b>	<b><u>\$0</u></b>	<b><u>(\$5,000,000)</u></b>	<b><u>(\$5,000,000)</u></b>
<b>CLASSROOM TRUST FUND</b>			
<u>Income</u> - Transfer from the Gaming Proceeds for Education Fund	\$0	\$0 or \$41,104,108	\$0 or \$82,208,217
<u>Income</u> - Transfer from Lottery Proceeds Fund	\$0	\$5,000,000	\$5,000,000
<u>Cost</u> - Distribution to School District	<u>\$0</u>	<u>(\$5,000,000 or \$46,104,108)</u>	<u>(\$5,000,000 or \$87,208,217)</u>
<b>ESTIMATED NET EFFECT ON THE CLASSROOM TRUST FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
<b>SCHOOL DISTRICTS</b>			
<u>Income</u> - Distributions from Classroom Trust Fund	<u>\$0</u>	<u>\$5,000,000 or \$46,104,108</u>	<u>\$5,000,000 or \$87,208,217</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b><u>\$0</u></b>	<b><u>\$5,000,000 or \$46,104,108</u></b>	<b><u>\$5,000,000 or \$87,208,217</u></b>
<u>FISCAL IMPACT - Small Business</u>			

No direct fiscal impact to small businesses would be expected as a result of this proposal.

## DESCRIPTION

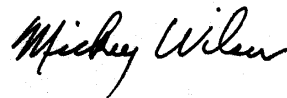
Beginning in Fiscal Year 2005 and upon condition of the requisite proration level of the Foundation Formula Program for the distribution of state school aid, 20% of the moneys from the Gaming Proceeds for Education Fund will be redirected into the Classroom Trust Fund, created by the proposal. Each subsequent year for four years, an additional 20% of those moneys will be directed to the Classroom Trust Fund until 100% of the gaming moneys go to that fund. Currently, these funds are deposited in the State School Moneys Fund, which provides funds for the foundation formula. The proposal directs that the gambling moneys must be replaced in the State School Moneys Fund by general revenue. The funds will be distributed on a per-pupil basis (keyed to attendance) and may be used for teacher recruitment and retention, construction and repair of buildings, technology enhancements or instructional materials, school safety, and for supplying additional funds for any required state or federal program.

The proposal also provides for the flow of funding to charter schools and to districts participating in the voluntary transfer program.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

## SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Missouri Gaming Commission  
Office of State Treasurer  
Missouri Lottery Commission  
Office of Administration  
Division of Budget and Planning



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Director  
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